

Fixed index annuities: What are the advantages of annual reset?

Allianz Life Insurance Company of North America



Annuities can be great long-term financial products to save for retirement. They offer tax-deferred growth potential, guarantees to your principal and credited interest, and the ability to take income for life. Different products have different ways to earn interest. Many fixed index annuities (FIAs), for example, can base their interest potential not only on changes in a market index, but also include an annual reset feature that may offer better interest potential than those annuities without this feature.

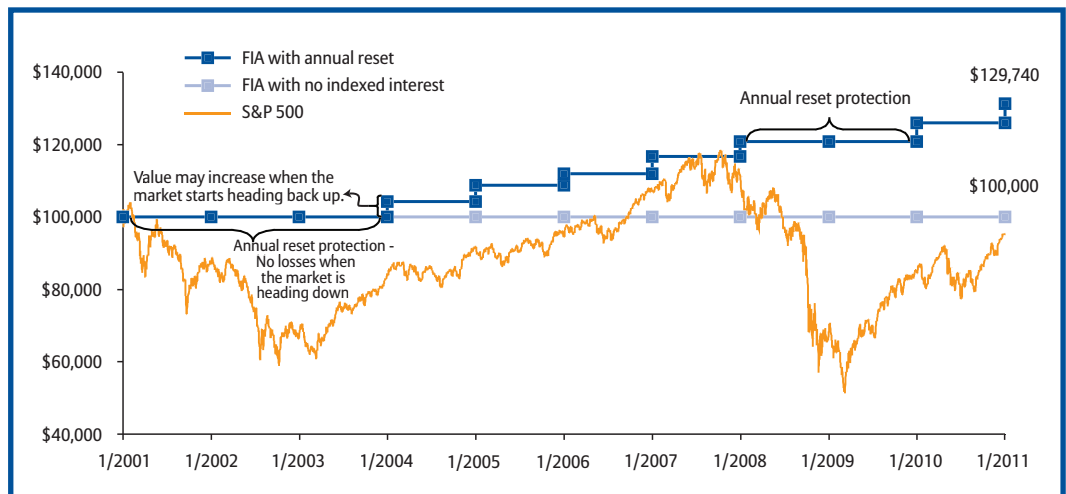
Hypothetically, let's say an annuity with annual reset is purchased (see chart below). The FIA's current value is noted (dark blue line), while the market index (orange line) is tracked to determine each contract year's interest.

Note the level of the index at the beginning and end of each contract year. In the first three years the index was down. While the contract earned no interest, it also didn't lose any value. The index levels increased the next five years and the contract was credited with interest. In the ninth year, the index was down again. The contract earned no interest that year, but again, it didn't lose value. The annual reset feature provides opportunity when the index is up and protection when the index is down.

With annual reset, the index does not have to make up previous losses in order for the annuity to earn additional interest. Each contract year, the index's ending value becomes next year's starting value.

Annual reset example

This example is intended to highlight the annual reset feature of a fixed index annuity. This is not a comprehensive overview of all the relevant annuity features and benefits. Be sure to review all material details about these products.



We are using actual S&P 500 historical data from 12/31/2000 to 12/31/2010, and are assuming the hypothetical product, which is not intended to represent any specific Allianz annuity, available for purchase on 1/1/2001. The initial premium is \$100,000 and we are utilizing the annual point-to-point crediting method with a hypothetical cap of 4.00%. The cap is declared annually and guaranteed to never be less than 1.00% which is the lowest cap of our annual reset products. Keep in mind that this represents past information only and results will vary depending on actual market conditions. Past performance may not be used to predict or project future results. Actual results will vary by the specific product and allocation(s) chosen, crediting method, caps, spreads, or participation rates. No single crediting method consistently delivers the most interest under all market conditions. The minimum guarantee (light blue line) illustrates a market index scenario where no indexed interest was earned during the period shown.

Although external indexes may affect your contract values, the contract does not directly participate in any stock or other investments. You are not buying bonds, shares of stock, or shares of an index fund. The indexes do not include the dividends paid on the stocks underlying a stock index or interest paid on bonds underlying a bond index. Stock dividends and bond interest are not reflected in the interest we credit to your contract. The S&P 500 index does not include dividends.

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Annuities are designed to meet long-term needs for retirement income. They provide guarantees against the loss of principal and credited interest, and the reassurance of a death benefit for beneficiaries. Contract owners have a variety of income options, including lifetime payments.

Guarantees are backed by the financial strength and claims-paying ability of Allianz Life Insurance Company of North America.

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